

WATER AND SEWER FUND PROJECTION

| | FY 2003-04 | FY 2004-05 | FY 2005-06 | FY 2006-07 | FY 2007-08 | FY 2008-09 |
|---------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Revenues | | | | | | |
| Water & Sewer Sales | \$47,355,747 | \$49,986,404 | \$52,786,427 | \$55,430,167 | \$58,125,750 | \$63,782,352 |
| Contract Water Sales | 9,310 | - | - | - | - | - |
| Other Operating Revenues | 485,720 | 495,434 | 505,343 | 515,450 | 525,758 | 536,274 |
| Investment/Rental | 1,262,918 | 1,288,176 | 1,313,940 | 1,340,218 | 1,367,023 | 1,394,363 |
| Licenses and Permits | 56,120 | 57,242 | 58,387 | 59,555 | 60,746 | 61,961 |
| Intragovernmental | 785,271 | 800,977 | 816,995 | 833,335 | 850,003 | 867,003 |
| Frontage Fees/Assessments | 1,462,000 | 1,491,240 | 1,521,065 | 1,551,486 | 1,582,516 | 1,614,166 |
| Capital Facility Fees | 4,474,740 | 4,564,235 | 4,655,520 | 4,748,630 | 4,843,603 | 4,940,475 |
| Other Revenues | 874,800 | 892,296 | 910,142 | 928,346 | 946,912 | 965,849 |
| Appropriation from Fund Balance | - | - | - | - | - | - |
| Total Revenues | \$56,766,626 | \$59,576,004 | \$62,567,819 | \$65,407,187 | \$68,302,311 | \$74,162,443 |
| Appropriations | | | | | | |
| Personal Services | \$14,780,583 | \$15,344,681 | \$16,111,915 | \$16,917,511 | \$17,763,386 | \$18,651,556 |
| Operating | 14,500,352 | 14,690,508 | 15,322,385 | 15,654,487 | 16,034,755 | 16,485,379 |
| Capital Outlay | 726,684 | 617,260 | 634,278 | 651,806 | 669,860 | 688,456 |
| Transfer to Other Funds | 4,406,000 | 4,435,850 | 4,450,476 | 4,583,990 | 4,721,509 | 4,863,155 |
| Debt Service | 17,299,605 | 18,813,200 | 20,555,747 | 22,097,222 | 23,654,560 | 27,932,819 |
| CIP Appropriations | 2,000,000 | 2,060,000 | 2,121,800 | 2,185,454 | 2,251,018 | 2,318,548 |
| Reserve for Debt Coverage | 1,487,243 | 2,017,023 | 1,741,786 | 1,654,697 | 1,571,962 | 1,493,364 |
| Transfer to Capital Reserves | 1,566,159 | 1,597,482 | 1,629,432 | 1,662,020 | 1,635,261 | 1,729,166 |
| Appropriation to Fund Balance | - | - | - | - | - | - |
| Total Appropriations | \$56,766,626 | \$59,576,004 | \$62,567,819 | \$65,407,187 | \$68,302,311 | \$74,162,443 |
| Coverage Ratio: | | | | | | |
| Parity Debt | 4.70 | 3.64 | 2.98 | 2.47 | 2.28 | 2.04 |
| All Debt | 1.20 | 1.18 | 1.16 | 1.15 | 1.14 | 1.12 |

Highlights

The projection reflects a reserve for debt coverage that is intended to ensure that the City meets or exceeds the revenue bond rate covenants contained in the water and sewer revenue bonds. Adverse conditions such as water restrictions due to drought place the City in jeopardy of not recognizing sufficient revenues to meet these covenants. The coverage ratio that must be maintained for all debt is 1.0. Generally, only operating revenues can be utilized for computation of the coverage ratio.

The rate increase for FY 2003-04 budget is included. The rate model utilized for the projection also includes future rate increases due mainly to two factors: Expected future debt service to provide for extensive capital improvements that are included in the model; and the provision for coverage of the bond covenants in the event of adverse revenue realization.

Revenues

- Water and Sewer Sales include both consumption and service fee charges to all direct water and sewer customers, inside and outside the City. It does not include contractual water sales to other utilities. A rate increase was adopted for the FY 2003-04 budget.
- Contract Water Sales represents the sale of surplus water to other utilities. The multi-year projection does not assume any future contract water sales.
- There are no rate increases for Water and Sewer Capital Facility Fees reflected in the projection.
- Most revenue sources and system utilization are projected to increase by 1.9%.

Appropriations

- Personal Services costs increase at a rate of 5% annually.
- Operating costs increase at a rate of 3% annually.
- Capital costs increase at a rate of 3% annually.
- The non-departmental costs generally increase at a rate of 3% annually.
- Debt Service projections for existing debt as provided by the City's Finance Department are further projected with proposed future debt service on revenue bonds proposed for issue to address the extensive capital projects as mentioned above.

Coverage Ratio

- Coverage ratios represent the amount of net revenues (gross revenues minus operating expenditures) that are available for debt service payments. For parity debt the City is required to have a coverage ratio of 1.25, and for all debt a ratio of 1.0. Coverage ratios are used by financial institutions as a key indicator for the calculation of the City's bond rating.
- As an assurance that the City will meet the coverage ratio if revenues fall, a reserve for debt coverage component is built into rates and if realized, can be utilized to support future debt service costs or CIP.